

**EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/24/11

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
BOARD OF COMMISSIONERS  
DECEMBER 31, 2010

<u>Commissioners</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
P. M. Woods 1551 N. Main Street Zwolle, Louisiana 71486 (318) 645-9721	President	2005	(1)
Peter Nugent 1269 Parkside Drive Zwolle, Louisiana 71486 (318) 645-7791	Vice-President	2000	(1)
Donald Garcie 101 Rock Hill Lane Noble, Louisiana 71462 (318) 645-9212	Sec./Treasurer	2007	(1)
Kenneth Wallace 280 Kimbrell Loop Zwolle, Louisiana 71486 (318) 645-6735		2000	(1)
Larry Ueckert 600 Loggerhead Lane Many, Louisiana 71449 (318) 256-5673		2010	(1)

(1) Commissioners serve at the pleasure of the Police Jury. Terms are not set when appointed.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
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DECEMBER 31, 2010

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EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

AFFIDAVIT

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Personally came and appeared before the undersigned authority, P. M. Woods, President of the Ebarb Waterworks District No. 1, who, duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Ebarb Waterworks District No. 1, at December 31, 2010 and the results of operations for the year then ended in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.



President

Sworn to and subscribed before me, this 18<sup>th</sup> day of July, 2011.

  
NOTARY PUBLIC

E. Merlin Squires, 1A# 033769

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# HINES, SHEFFIELD & SQUYRES, L.L.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Ebarb Waterworks District No. 1  
Zwolle, Louisiana 71486

We have audited the accompanying basic financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Ebarb Waterworks District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ebarb Waterworks District No. 1 as of December 31, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the Ebarb Waterworks District No. 1 will continue as a going concern. As discussed in Note 12 to the basic financial statements, the District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$717,801 at December 31, 2010. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 12. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2011, on our consideration of the Ebarb Waterworks District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our

audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ebarb Waterworks District No. 1's financial statements as a whole. The accompanying other supplemental information schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The financial information for the year ended December 31, 2009, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion with a going concern dated June 8, 2010, on the basic financial statements of the Ebarb Waterworks District No. 1.

***Hines, Sheffield & Squyres***

Natchitoches, Louisiana

July 18, 2011

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010

The Management's Discussion and Analysis of Ebarb Waterworks District No. 1's financial performance presents a narrative overview and analysis of Ebarb Waterworks District No. 1's financial activities for the year ended December 31, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the Ebarb Waterworks District No. 1's financial statements, which begins on page 9.

**FINANCIAL HIGHLIGHTS**

- 1) The Ebarb Waterworks District No. 1 had cash of \$86,120 at December 31, 2010 which represents an increase of \$6,909 from prior year end.
- 2) The Ebarb Waterworks District No. 1 had accounts receivable of \$201,207 at December 31, 2010 which represents an increase of \$56,849 from prior year end.
- 3) The Ebarb Waterworks District No. 1 had accounts payable and accruals of \$162,657 at December 31, 2010 which represents a decrease of \$9,721 from prior year end.
- 4) The Ebarb Waterworks District No. 1 had long-term debt of \$3,281,598 for the year ended December 31, 2010 which represents a decrease of \$67,040 from prior year.
- 5) The Ebarb Waterworks District No. 1 had total operating revenues of \$1,507,493 for the year ended December 31, 2010 which represents an increase of \$162,360 from prior year.
- 6) The Ebarb Waterworks District No. 1 had charges for services revenues of \$1,401,790 for the year ended December 31, 2010 which represents an increase of \$146,682 from prior year.
- 7) The Ebarb Waterworks District No. 1 had total operating expenses of \$1,344,462 for the year ended December 31, 2010 which represents an increase of \$150,343 from prior year.
- 8) The Ebarb Waterworks District No. 1 had salaries and board per diem of \$220,073 for the year ended December 31, 2010 which represents an increase of \$45,184 from prior year.
- 9) The Ebarb Waterworks District No. 1 had interest expense of \$153,423 for the year ended December 31, 2010 which represents a decrease of \$783 from prior year.
- 10) The Ebarb Waterworks District No. 1 had capital asset purchases of \$368,791 for the year ended December 31, 2010 which represents an increase of \$308,398 from prior year.
- 11) The Ebarb Waterworks District No. 1 made principal payments on capital leases of \$21,766 for the year ended December 31, 2010 which represents an increase of \$7,090 from prior year.
- 12) The Ebarb Waterworks District No. 1 made principal payments on long-term debt of \$86,309 for the year ended December 31, 2010 which represents an increase of \$64,160 from prior year.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2010

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Ebarb Waterworks District No. 1 as established by *Governmental Accounting Standards Board Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Management Discussion and Analysis

Basic Financial Statements

Required Supplementary Information  
(Other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Basic Financial Statements**

This annual report consist of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Cash Flows (on pages 9, 10 and 11) provide information about the activities of Ebarb Waterworks District No. 1 as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.



EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2010

**FINANCIAL ANALYSIS OF THE ENTITY**

Statement of Net Assets  
As of Year End

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 292,021	\$ 227,722
Capital assets, net	<u>2,475,358</u>	<u>2,266,497</u>
<b>Total Assets</b>	<b><u>\$ 2,767,379</u></b>	<b><u>\$ 2,494,219</u></b>
Accounts payable, accruals and other liabilities	\$ 203,582	\$ 191,548
Long-term debt	<u>3,281,598</u>	<u>3,348,638</u>
<b>Total Liabilities</b>	<b><u>3,485,180</u></b>	<b><u>3,540,186</u></b>
Net assets		
Investment in capital assets, net of related debt	(806,240)	(1,082,141)
Restricted	3,139	3,131
Unrestricted	<u>85,300</u>	<u>33,043</u>
<b>Total Net Assets</b>	<b><u>(717,801)</u></b>	<b><u>(1,045,967)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,767,379</u></b>	<b><u>\$ 2,494,219</u></b>

Net assets of the Ebarb Waterworks District No. 1 increased by \$328,166 or 31.37% from the previous fiscal year. The increase is the result of operating and nonoperating revenues exceeding operating and nonoperating expenses during the fiscal year ended 2010 (See table below).

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Year Ended

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 1,507,493	\$ 1,345,133
Operating Expenses	<u>1,344,462</u>	<u>1,194,119</u>
Operating Income/(Loss)	163,031	151,014
Nonoperating Revenues/(Expenses)	(153,309)	(153,959)
Capital Contributions	<u>318,444</u>	<u>18,516</u>
<b>Change in net assets</b>	<b><u>\$ 328,166</u></b>	<b><u>\$ 15,571</u></b>

The Ebarb Waterworks District No. 1's total operating revenues increased by \$162,360 or 12.07% from the previous year. The total operating expenses increased by \$150,343 or 12.59% from the previous year.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2010

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2010, Ebarb Waterworks District No. 1 had \$2,475,358, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net increase (including additions and deductions) of \$208,861 or 9.22% from the previous year.

Capital Assets at Year End  
(Net of Depreciation)

	<u>2010</u>	<u>2009</u>
Land	\$ 72,530	\$ 72,530
Construction in progress	0	106,189
Buildings and building improvements	20,359	16,114
Distribution system	2,309,498	2,016,869
Automobiles	29,909	10,900
Machinery and equipment	<u>43,062</u>	<u>43,895</u>
Total	<u>\$ 2,475,358</u>	<u>\$ 2,266,497</u>

This year's major additions included:

Buildings and building improvements	\$ 6,454
Distribution system	\$ 321,442
Automobiles	\$ 30,574
Machinery and equipment	\$ 10,321

This years's major retirements included:

None.

Debt

Ebarb Waterworks District No. 1 had \$3,281,598 in long-term debt outstanding at year end compared to \$3,348,638 at the previous year end, a decrease of \$67,040 or 2.00% as shown in the table below.

Outstanding Debt at Year End

	<u>2010</u>	<u>2009</u>
Capital leases	\$ 86,454	\$ 67,185
Loans	74,025	84,570
Revenue bonds	<u>3,121,119</u>	<u>3,196,883</u>
Totals	<u>\$ 3,281,598</u>	<u>\$ 3,348,638</u>

New debt during the year included:

Capital leases	\$ 40,766
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EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2010

**ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES**

Management of Ebarb Waterworks District No. 1 considered the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt
- 2) Cost of operations
- 3) Number of Customers
- 4) Intergovernmental revenues (state and local grants)

The Ebarb Waterworks District No. 1 does not expect any significant changes in next year's results as compared to the current year.

**CONTACTING EBARB WATERWORKS DISTRICT NO. 1'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Ebarb Waterworks District No. 1's finances and to show Ebarb Waterworks District No. 1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact P. M. Woods, President, P.O. Box 1366, Zwolle, Louisiana 71486.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 82,981	\$ 76,080
Accounts receivable	201,207	144,358
Prepaid expenses	4,694	4,153
Restricted assets		
Cash	<u>3,139</u>	<u>3,131</u>
Total Current Assets	292,021	227,722
Noncurrent Assets		
Capital assets, net	<u>2,475,358</u>	<u>2,266,497</u>
Total Assets	<u>\$ 2,767,379</u>	<u>\$ 2,494,219</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Current portion of capital lease obligation	\$ 22,951	\$ 15,147
Current portion of long-term debt	125,633	118,368
Accounts payable and accruals	<u>162,657</u>	<u>172,378</u>
Total Current Liabilities	311,241	305,893
Noncurrent Liabilities		
Capital lease obligation, net of current portion	63,503	52,038
Long-term debt, net of current portion	3,069,511	3,163,085
Customer deposits	<u>40,925</u>	<u>19,170</u>
Total Liabilities	3,485,180	3,540,186
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	(806,240)	(1,082,141)
Restricted	3,139	3,131
Unrestricted	<u>85,300</u>	<u>33,043</u>
Total Net Assets	<u>(717,801)</u>	<u>(1,045,967)</u>
Total Liabilities and Net Assets	<u>\$ 2,767,379</u>	<u>\$ 2,494,219</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1ZWOLLE, LOUISIANASTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Charges for services	\$ 1,401,790	\$ 1,255,108
Connect fees	71,220	47,696
Late fees	25,028	23,036
Miscellaneous	9,455	19,293
Total Operating Revenues	<u>1,507,493</u>	<u>1,345,133</u>
OPERATING EXPENSES		
Advertising	736	380
Automobile expense	41,073	26,575
Bad debt expense	7,824	10,097
Depreciation	159,930	128,203
Equipment rental	1,500	1,568
Franchise fees	620	149
Insurance	32,680	31,420
Legal and accounting	15,674	17,292
Licenses and permits	8,760	8,206
Meter installation costs	77,184	44,758
Miscellaneous	15,824	22,160
Office supplies	40,893	42,237
Payroll taxes	17,077	14,055
Postage	818	1,132
Repairs and maintenance	59,921	59,666
Salaries and board per diem	220,073	174,889
Supplies	7,840	5,228
Telephone	12,765	9,857
Uniforms	589	2,123
Utilities	29,033	32,496
Water purchases	593,648	561,628
Total Operating Expenses	<u>1,344,462</u>	<u>1,194,119</u>
Operating Income/(Loss)	163,031	151,014
Nonoperating Revenues/(Expenses)		
Interest income	114	247
Interest expense	(153,423)	(154,206)
Total Nonoperating Revenues/(Expenses)	<u>(153,309)</u>	<u>(153,959)</u>
Income/(loss) before capital contributions	9,722	(2,945)
Capital contributions	<u>318,444</u>	<u>18,516</u>
Change in Net Assets	328,166	15,571
Net Assets, Beginning of year	<u>(1,045,967)</u>	<u>(1,061,538)</u>
Net Assets, End of year	<u>\$ (717,801)</u>	<u>\$ (1,045,967)</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,463,848	\$ 1,312,388
Cash payments to suppliers for goods and services	(889,232)	(902,037)
Cash payments to employees and board members for services	(233,557)	(181,358)
Other operating revenues/(expenses)	<u>9,455</u>	<u>19,293</u>
Net Cash From Operating Activities	350,514	248,286
Cash Flows From Capital and Related Financing Activities		
Capital contributions	309,716	18,516
Proceeds from capital leases	40,766	0
Principal payments on capital leases	(21,497)	(14,676)
Principal payments on loans	(10,545)	(9,942)
Principal payments on revenue bonds	(75,764)	(12,207)
Acquisition/construction of capital assets	(368,791)	(60,393)
Interest paid	<u>(217,604)</u>	<u>(179,746)</u>
Net Cash From Capital and Related Financing Activities	(343,719)	(258,448)
Cash Flows From Investing Activities		
Interest income	<u>114</u>	<u>247</u>
Cash Flows From Investing Activities	<u>114</u>	<u>247</u>
Net Increase/(Decrease) in Cash	6,909	(9,915)
Cash, Beginning of year	<u>79,211</u>	<u>89,126</u>
Cash, End of year	<u>\$ 86,120</u>	<u>\$ 79,211</u>
	<u>2010</u>	<u>2009</u>
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income/(loss)	\$ 163,031	\$ 151,014
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	159,930	128,203
Bad debt expense	7,824	10,097
(Increase)/decrease in operating assets		
Accounts receivable	(55,945)	(31,522)
Prepaid expenses	(541)	(580)
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	54,460	(26,996)
Customer deposits	<u>21,755</u>	<u>18,070</u>
Net Cash Flows From Operating Activities	<u>\$ 350,514</u>	<u>\$ 248,286</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

The Ebarb Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was created by Louisiana Revised Statute 33:38.11 and adopted by the Police Jury on March 16, 1977. The District's purpose is to provide water service to any user within the geographical bounds of the district. It is operated by a board which consists of up to five commissioners appointed by the Police Jury.

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A.            Basis of Accounting**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of Ebarb Waterworks District No. 1 present information only as to the transactions of the programs of Ebarb Waterworks District No. 1 as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of Ebarb Waterworks District No. 1 are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B.            Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**C.            Receivables**

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

**D.            Bad Debts**

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2010, \$0 were considered to be uncollectible.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E.        Restricted Assets**

The Ebarb Waterworks District No. 1, based upon certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. These assets consist of bank savings accounts.

**F.        Capital Assets**

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by Ebarb Waterworks District No. 1 are charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements, 10 to 40 years for the distribution system, 5 years for automobiles and 5 to 15 years for machinery and equipment. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

**G.        Compensated Absences**

All full time employees of Ebarb Waterworks District No. 1 earn annual and sick leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

**H.        Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2        DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**A.        Deposits with Financial Institutions**

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law Ebarb Waterworks District No. 1 may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further the Fund may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at December 31, 2010 were secured as follows:



EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

**NOTE 2      DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)**

**A.      Deposits with Financial Institutions (Continued)**

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 86,120	\$ 0	\$ 86,120
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
Total Category 3 Bank Balances	\$ 0	\$ 0	\$ 0
Total Bank Balances (All Categories Including Category 3 Reported Above)	\$ 108,369	\$ 0	\$ 108,369

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Peoples State Bank	\$ 50,142
Sabine Sate Bank	58,227
Total	\$ 108,369

**B.      Investments**

At December 31, 2010, Ebarb Waterworks District No. 1 had investments of \$0.

**NOTE 3      RESTRICTED ASSETS**

At December 31, 2010, Ebarb Waterworks District No. 1 had the following restricted assets:

Cash	\$ 3,139
Total	\$ 3,139

**EBARB WATERWORKS DISTRICT NO. 1**  
**ZWOLLE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010**

**NOTE 4      ACCOUNTS RECEIVABLE**

The following is a summary of accounts receivable at December 31, 2010:

<u>Class of Receivable</u>	
Charges for services	\$ 192,479
Other	8,728
Total	<u>\$ 201,207</u>

**NOTE 5      CAPITAL ASSETS**

A summary of Ebarb Waterworks District No. 1's capital assets at December 31, 2010 follows:

	Balance December 31, 2009	Additions	Retirements	Balance December 31, 2010
Capital Assets, not being depreciated				
Land	\$ 72,530	\$ 0	\$ 0	\$ 72,530
Construction in progress	106,189	0	(106,189)	0
Total Capital Assets, not being depreciated	178,719	0	(106,189)	72,530
Capital Assets, being depreciated				
Buildings and Building Improvements	23,454	6,454	0	29,908
Less accumulated depreciation	(7,340)	(2,209)	0	(9,549)
Total Buildings and Building Improvements	16,114	4,245	0	20,359
Distribution System	3,640,628	427,631	0	4,068,259
Less accumulated depreciation	(1,623,759)	(135,002)	0	(1,758,761)
Total Distribution System	2,016,869	292,629	0	2,309,498
Automobiles	58,563	30,574	0	89,137
Less accumulated depreciation	(47,663)	(11,565)	0	(59,228)
Total Automobiles	10,900	19,009	0	29,909
Machinery and Equipment	66,712	10,321	0	77,033
Less accumulated depreciation	(22,817)	(11,154)	0	(33,971)
Total Machinery and Equipment	43,895	(833)	0	43,062
Total Capital Assets, being depreciated	2,087,778	315,050	0	2,402,828
Total Capital Assets, net	<u>\$ 2,266,497</u>	<u>\$ 315,050</u>	<u>\$ (106,189)</u>	<u>\$ 2,475,358</u>

**NOTE 6      ACCOUNTS PAYABLE AND ACCRUALS**

The following is a summary of accounts payable at December 31, 2010:

<u>Class of Payable</u>	
Vendor	\$ 95,848
Salaries and related benefits	8,650
Interest	58,159
Total	<u>\$ 162,657</u>

**EBARB WATERWORKS DISTRICT NO. 1**  
**ZWOLLE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010**

**NOTE 7 LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Ebarb Waterworks District No. 1 for the year ended December 31, 2010:

	Balance Dec. 31, 2009	Additions	Deletions	Balance Dec. 31, 2010	Current Amounts
Revenue Bonds-1982	\$ 436,790	\$ 0	\$ 30,442	\$ 406,348	\$ 29,215
Revenue Bonds-1990	1,936,206	0	0	1,936,206	66,004
Revenue Bonds-1993	697,639	0	43,914	653,725	17,810
Revenue Bonds-2006	126,248	0	1,408	124,840	1,420
Community Resource Group Loan	84,570	0	10,545	74,025	11,184
Total	<u>\$ 3,281,453</u>	<u>\$ 0</u>	<u>\$ 86,309</u>	<u>\$ 3,195,144</u>	<u>\$ 125,633</u>

The terms of the individual debt issues of the District are as follows:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Revenue bonds 1982	4.50%	2021	\$ 569,804	\$ 406,348
Revenue bonds 1990	4.50%	2029	2,194,968	1,936,206
Revenue bonds 1993	4.50%	2032	778,650	653,725
Revenue bonds 2006	4.375%	2046	129,000	124,840
Comm Res Group Loan	5.90%	2016	106,189	74,025
Total			<u>\$ 3,778,611</u>	<u>\$ 3,195,144</u>

The annual requirements to amortize all debt outstanding as of December 31, 2010 are as follows:

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest	Loans Principal	Loans Interest	Total
2011	\$ 114,449	\$ 138,109	\$ 11,184	\$ 4,068	\$ 267,810
2012	119,706	132,851	11,860	3,391	267,808
2013	125,207	127,351	12,581	2,670	267,809
2014	130,959	121,600	13,344	1,908	267,811
2015	136,975	115,583	14,153	1,099	267,810
2016-2020	785,247	477,546	10,903	265	1,273,961
2021-2025	777,835	297,348	0	0	1,075,183
2026-2030	761,430	115,067	0	0	876,497
2031-2035	108,587	20,182	0	0	128,769
2036-2040	23,929	11,117	0	0	35,046
2041-2045	29,954	5,091	0	0	35,045
2046	6,841	169	0	0	7,010
Total	<u>\$ 3,121,119</u>	<u>\$ 1,562,014</u>	<u>\$ 74,025</u>	<u>\$ 13,401</u>	<u>\$ 4,770,559</u>

**EBARB WATERWORKS DISTRICT NO. 1**  
**ZWOLLE, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010**

**NOTE 7            LONG-TERM DEBT (CONTINUED)**

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

- a) From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b) Each month, there will be set aside into a fund called the "Water System Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the total principal and interest maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- c) Each month, there shall be set aside into a "Water System Reserve Fund" a sum at least equal to five percent (5%) of the annual debt payment until such time as there has been accumulated in said fund a sum equal to the highest combined principal and interest amount falling due in any year. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.
- d) Funds will also be set aside into a "Depreciation and Contingency Fund." Money in this fund shall be used to pay the principal and interest on bonds for which there is not sufficient money in the Sinking or Reserve Fund.

Due to insufficient revenues, the District was unable to make monthly deposits as specified above and was therefore in breach of the requirements to maintain certain amounts in the reserve and depreciation and contingency funds at December 31, 2010. See the accompanying management letter for a description of the finding.

**NOTE 8            LEASE OBLIGATIONS**

Ebarb Waterworks District No. 1 entered into two lease agreements in 2008 and two lease agreements in 2010 for the acquisition of equipment accounted for as capital leases. At the maturity of the lease terms, Ebarb Waterworks District No. 1 will own the equipment. The cost of the equipment is included as an asset and an obligation in the financial statements.

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of December 31, 2010:

<u>Year Ending</u> <u>December 31</u>	
2011	\$ 28,850
2012	28,850
2013	28,850
2014	10,202
2015	<u>2,477</u>
Total minimum lease payments	99,229
Less amount representing interest	<u>(12,775)</u>
Present value of minimum lease payments	<u>\$ 86,454</u>

The Ebarb Waterworks District No. 1 is obligated under one lease agreement accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the District's fixed assets.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2010

**NOTE 8            LEASE OBLIGATIONS (CONTINUED)**

The lease agreement is with the Louisiana Department of Transportation and Development, Sabine River Authority for the use of a water intake, treatment and distribution facility for 40 years which expires on August 21, 2029. Although the lease agreement requires no lease payments, the District must maintain the intake, treatment and distribution facilities and provide portable water to recreational facilities developed by the Sabine River Authority in the area. The lease can be terminated at the option of the Sabine River Authority for failure to fulfill any one or any portion of the lease requirements.

**NOTE 9            CONCENTRATION OF WATER SUPPLY**

The Ebarb Waterworks District No. 1 obtained all of its water supply from the South Toledo Bend Waterworks District (83.78%), the Belmont Water System (9.13%) and the Town of Zwolle (7.09%) during 2010.

**NOTE 10          LITIGATION**

The Ebarb Waterworks District No. 1 was not involved in any litigation as a defendant at December 31, 2010.

**NOTE 11          RISK MANAGEMENT**

The Ebarb Waterworks District No. 1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the District.

**NOTE 12          GOING CONCERN**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Ebarb Waterworks District No. 1 as a going concern. The District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$717,801 at December 31, 2010.

Management plans to eliminate the deficit through a combination of actions:

- 1) Management has implemented strict cost control procedures to reduce expenses.
- 2) Management has hired full time employees to reduce cost of outside contractors.
- 3) Management has decided to purchase water rather than use the District's old plant that is very costly to operate.
- 4) Management has negotiated and will continue to negotiate a reduction in the cost of purchasing treated water.
- 5) Management has implemented several rate increases and will consider further increases as necessary.
- 6) Management has begun enforcing their disconnect policy on past due accounts.

## **OTHER SUPPLEMENTARY INFORMATION**

SCHEDULE 1

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
DECEMBER 31, 2010

<u>Members</u>	<u>Meetings</u>	<u>Amount</u>
Donald Garcie	16	\$ 960
Carmella McKee	6	360
Peter Nugent	15	900
Larry Ueckert	3	180
Kenneth Wallace	15	900
P. M. Woods	17	<u>1,020</u>
Total		<u>\$ 4,320</u>

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**SECTION #1**

**SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditors' report issued.   | Unqualified   |
| 2. | Internal control over financial reporting:   |               |
|    | a) Material weakness(es) identified?   | No            |
|    | b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to financial statements noted?  | Yes           |

**SECTION #2**

FINANCIAL STATEMENT FINDINGS

- |         |  |
|---------|--|
| 2010-01 | The District is in violation of revenue bond covenants requiring funding of reserve and depreciation and contingency accounts.   |
| 2010-02 | The District was not in compliance with state statutes requiring audited financial statements to be completed and submitted to the Legislative Auditor within six months after year end. |



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Ebarb Waterworks District No. 1  
Zwolle, Louisiana 71486

We have audited the accompanying basic financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 2010, and have issued our report thereon dated July 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ebarb Waterworks District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ebarb Waterworks District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ebarb Waterworks District No. 1's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ebarb Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance and other matters that are required to be reported under Government Auditing Standards. A description of the findings can be found in findings 2010-01 and 2010-02 of the accompanying Corrective Action Plan For Current Year Audit Findings, Schedule 4.

This report is intended solely for the information and use of the Ebarb Waterworks District No. 1, management and the Louisiana State Legislative Auditor and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Hines, Sheffield & Squyres***

Natchitoches, Louisiana

July 18, 2011

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
2009-01	1996	The District is in violation of revenue bond covenants requiring funding of reserve and depreciation and contingency accounts.	Partially	The reserve and depreciation and contingency accounts will continue to be funded until the District is in compliance with bond covenants.
2009-02	2009	The District did not appear to be in compliance with payment requirements of outstanding long-term debt at December 31, 2009 and has not advised the State Bond Commission in accordance with Louisiana Revised Statute 39:1410.62.	Yes	This finding has been resolved.

EBARB WATERWORKS DISTRICT NO. 1  
ZWOLLE, LOUISIANA  
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
2010-01	The District is in violation of revenue bond covenants requiring funding of reserve and depreciation and contingency accounts.	The District will continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.	P. M. Woods, President	12/31/2011
2010-02	The District was not in compliance with state statutes requiring audited financial statements to be completed and submitted to the Legislative Auditor within six months after year end.	The District will make sure that all necessary documentation is provided to its auditor within a reasonable amount of time to ensure the report is completed and submitted in accordance with state laws.	P. M. Woods, President	12/31/2011

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Board of Commissioners  
Ebarb Waterworks District No. 1  
Zwolle, LA 71486

We are writing this letter as a follow-up to our recent audit of the basic financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of December 31, 2010, and for the year then ended. We offer the following observations and recommendations, which are intended to help improve record keeping procedures and general operations of the District and are intended to be constructive in nature:

1. Existing Condition

The resolution authorizing the issuance of the revenue bonds required the District to establish and fund reserve and depreciation and contingency accounts. As of December 31, 2010, the District has not fully funded the required accounts and is in violation of the revenue bond covenants.

Recommended Action

The District should continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.

Management's Response

The District will continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.

2. Existing Condition

The District was not in compliance with state statutes requiring audited financial statements to be completed and submitted to the Legislative Auditor within six months after year end.

Recommended Action

The District should make sure that all necessary documentation is provided to its auditor within a reasonable amount of time to ensure the report is completed and submitted in accordance with state laws.

Management's Response

The District will make sure that all necessary documentation is provided to its auditor within a reasonable amount of time to ensure the report is completed and submitted in accordance with state laws.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the District's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

***Hines, Sheffield & Squyres***

Natchitoches, Louisiana  
July 18, 2011